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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 008266

SIPDIS

COMMERCE FOR MATT BORMAN

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TAGS: [ETTC](#) [PREL](#) [PGOV](#) [IN](#) [NSSP](#)

SUBJECT: GOI PUBLICLY ACKNOWLEDGES PROGRESS ON NSSP,  
REAFFIRMS NON-DIVERSION ASSURANCES

Classified By: PolCouns Geoff Pyatt, Reasons 1.4 (B,D).

11. (C) Summary: Foreign Minister Natwar Singh publicly acknowledged during a December 22 Parliamentary debate with former FM Yashwant Sinha that India had agreed to non-diversion and end-use verification of US high technology imports, even when they come from a third country. This is a clear sign that the United Progressive Alliance (UPA) government is serious about the India/US strategic partnership and the export control understandings attached to the Next Steps in the Strategic Partnership (NSSP). The exchange received almost no press coverage in India, illustrating that interest in the NSSP process is largely confined to Indian elites. End Summary.

12. (U) On December 22, in the waning days of the Winter Session of Parliament, Foreign Minister Natwar Singh made a lengthy statement on India's foreign policy. Singh noted that Indo/US relations "have expanded across the board," and in this context observed that "It was the UPA Government which concluded the long pending first phase of the NSSP." He detailed that "the agreement makes US Licensing Policy and procedures both transparent and predictable. End-use verification is a consultative process to be undertaken by mutual consent. This is an agreement between equals. It is reflective of the strategic partnership that the two countries wish to promote. It is the first in a series of steps to build mutual confidence and trust, leading to progressively higher levels of interaction in high technology areas." Former Foreign Minister Yashwant Sinha jumped on this exchange regarding the NSSP to press the issue of third countries, leading FM Singh to acknowledge publicly for the first time that India was committed to end-use verification for American high technology items, whether imported directly from the US or from other countries.

13. (U) Sinha noted to FM Singh that, "I had raised a very specific issue about NSSP when I talked about end-use verification. I am giving him an opportunity to contradict me that US origin items of dual use coming from third countries will not be subjected to end-use verification as US origin items coming directly from the US will. This is not part of the agreement which had been reached in December, 2003. There was no agreement with regard to end-use verification."

14. (U) The Foreign Minister replied that, "Under the NSSP, the US-origin items, whether directly supplied to us from the US or from any other source, will always be the basis of negotiations. It would not have been tenable to exclude US-origin goods or technology merely because they were obtained from non-US sources. We ourselves would not accept such a distinction with respect to Indian-made technology or sensitive goods such as our software."

15. (C) MEA Joint Secretary (Americas) S. Jaishankar flagged this exchange in his meeting with PolCouns and Pol-MilOff on December 30. Jaishankar noted that FM Singh's line on end-use verification of US origin items imported from third countries was essentially the same as the policy of the previous NDA government, e.g., protection of US dual-use items is an extension of protection that the GOI seeks for Indian produced dual-use items. This argument, however, seemed to "thoroughly confound" Sinha and effectively ended further discussion of the matter. Jaishankar went on to recall that during his visit to the US in November, Commerce U/S Juster had inquired what the GOI response would be should this issue of non-diversion for goods from third countries become a matter of public debate. Noting that this is the first time this issue has been raised in a public forum, Jaishankar reiterated that the GOI stands by its private commitment to respect end-use restrictions even for US origin dual-use items from third countries. "Our treatment of US items is the same as our treatment of Indian items," he concluded.

Comment

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16. (C) FM Singh's statement was the first time that the GOI publicly revealed the concessions it had made regarding end-use verification under the NSSP, and indicates that the

UPA government is serious in upholding its NSSP obligations and pushing the India/US relationship to a new level. It came as no surprise that former FM Sinha, who was privy to earlier rounds of NSSP negotiations, sought to use the non-diversion agreement to charge the UPA government with caving in to US demands. Singh's statement received almost no press coverage in India, as public interest in the NSSP is largely confined to Indian elites and technical specialists, many of whom are still trying to understand the commitments attached to the NSSP.

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